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Director of Economic Research

29 August 1967

Chief, Fuels and Power Branch

Possible Nationalization of ESSO and MOBIL Distribution System in Algeria

REF : State, Algiers 355, dated 28 August 1967. C.

1. Reference indicates Mobil has information that announcement of the nationalization of the Esso and Mobil distribution system in Algeria is imminent. Nothing was known concerning compensation.

2. The definition, extent, and value of the facilities involved is not known by R/FP. [REDACTED]

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If in fact only the distribution system is involved, the value probably is not great. The following facts afford some insight into the situation.

3. Algeria produced about 240 million barrels (33.2 million metric tons) of oil in 1966 and during the first half of 1967 was producing at about the same rate. It consumes about 9 million barrels annually in its internal market plus about 1.4 for the bunker trade. The market has been divided about as follows: Shell - 25%, Esso - 22%, Total's Salm - 15%, BP - 13%, Mobil - 8%, Beryl - 7 $\frac{1}{2}$ %, Algeronaphte - 6 $\frac{1}{2}$ %, Mediterrarienne des Combustibles 1 $\frac{1}{2}$ %, and Ste. Algerienne des Petroles Mory 1 $\frac{1}{2}$ %. Thus the facilities affected by the nationalization would be those serving about 30 percent of the market, and probably are handling only a little over 3 million barrels per year.

4. Marketing margins in Algeria have been too low to make distribution activities very profitable. Sonatrach, the Algerian Government-owned oil company, has for some time wanted to enter marketing. In May 1966 the marketers proposed a "common exploitation consortium" in which Sonatrach would have 10 percent of the share capital and the distribution companies 90 percent allocated in proportion to their participation in the market. Consortium assets would have consisted of primary outlets (means of transportation and storage yards) and the companies would have kept their secondary outlets (service stations and sales points). Nothing came of the proposal because the companies insisted on increases in the marketing margins.

State Dept. review completed

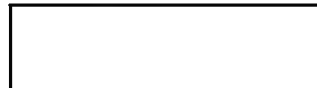
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6. Nationalization of Esso and Mobil oil interests in Algeria has been under study and it probably has been found that such action will provide no economic advantage to Algeria. In pre-independence days the service stations and garages were owned by individual Frenchmen who had acquired franchises from the oil companies concerned. Since the departure of the French proprietors, the oil companies have claimed title to the service stations. Nationalization of such holdings may be regarded as a sop to anti-American feelings developed during and since the Arab Israeli war.

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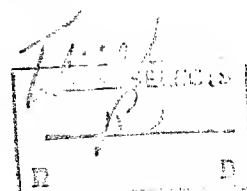
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SS 35, GPM 03, SC 01, NSC 10, RSC 01, L 03, H 02, P 04, CIA 04, NSAE 0
INR 07, DOD 01, E 19, COM 08, INT 06, TRSY 08, AID 30, FRB 02, STR 0:
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INFO AMEMBASSY BEIRUT PRIORITY 108
AMEMBASSY GENEVA 23
AMEMBASSY KHARTOUM 40
AMEMBASSY PARIS 531

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REF: ALGIERS 330, 336 (NOTAL)

RF
DCI
D/DCI
DDP
CS/RF
CS/DO
SDO 22
N/INT

OER 2
DO
CA 2
CA/02
AF6

1. MOBIL HAS FIRM INFORMATION THAT TEXT NATIONALIZING ESSO AND
MOBIL DISTRIBUTION SYSTEM HAS BEEN SIGNED AND IS NOW BEING PRINTED
ANNOUNCEMENT EXPECTED TONIGHT OR TOMORROW MORNING.

2. FROM FRAGMENTARY KNOWLEDGE OF TEXT COMPENSATION IS NOT MENTION
TEXT IS BRIEF AND MERELY SPECIFICIES THAT DETAILS WILL BE SPELLED
OUT LATER.

3. WE WILL BE IN TOUCH WITH PIERRE JULY FORMER FRENCH MINISTER
AND LAWYER FOR REFINERY AND ESSO THIS EVENING. JULY IS IN FROM
PARIS ON SPECIAL MISSION.

4. ANTICIPATE GOA ATTEMPTS GET MAXIMUM PUBLICITY BUT DO NOT AT
THIS POINT EXPECT ANY DANGER OR SPECIAL DIFFICULTY FOR

22% Enigma
8% M. white
9% b. p. y. n.
low comp.
G. m. f.
55 mm +

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